

ABERDEEN CITY COUNCIL

COMMITTEE	Council
DATE	5 March, 2014
DIRECTOR	Director of Corporate Governance
TITLE OF REPORT	Committee Orders of Reference – Amendment to Reflect ALEOs Governance Framework
REPORT NUMBER:	CG/14/038

1. PURPOSE OF REPORT

- 1.1 This report proposes amendments to the Committee Orders of Reference to reflect the scrutiny arrangements for Arm's Length External Organisations (ALEOs) on tiers 2, 3 and 4 reported to the Audit and Risk Committee on 27 February, 2014.
- 1.2 The framework of governance reported to relevant service committees this cycle sets out roles and responsibilities for those service committees and the Audit and Risk committee (including the Shareholder Scrutiny Group) and the creation of a Council Officer Governance Hub to carry out the detailed scrutiny and prepare reports.
- 1.3 This report follows on from previous decisions of Council to revise the governance arrangements for ALEOs following advice from the Council's auditors.

2. RECOMMENDATIONS

2.1 That Council:-

- (1) approves the method of monitoring tier 2, 3 and 4 organisations set out in appendix 1 to this report;
- (2) approves the amendments to Committee Orders of Reference attached as appendix 2;
- (3) authorises officers to amend the tier in which organisations sit as funding to them increases, decreases or ceases altogether in line with committee decisions; and
- (4) agrees that the amended Orders of Reference be circulated to service committees via information bulletins next cycle.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications arising from this report. Costs associated with the scrutiny and assurance around ALEOs will be met from existing resources available to the Council.

4. OTHER IMPLICATIONS

- 4.1 There are no legal or other implications arising from this report.

5. BACKGROUND/MAIN ISSUES

- 5.1. This report builds on decisions of Council at its meetings of 21st August and 31st October, 2013 (articles 11 and 9 refer, respectively) to make arrangements for the governance of ALEOs based on considerations arising from a report produced in August, 2010, by Audit Scotland entitled “Roles and Working Relationships – Are You Getting It Right?” and on a report which the Council itself commissioned on Roles and Responsibilities. The Council has now put in place a framework which has been developed into a supportive Governance Hub.
- 5.2 Each Service Governance Hub will consist of Service representative(s) and an officer from the following areas: Finance, Legal, Human Resources, Risk Management and Procurement.
- 5.3 The role of the hub will be to receive a range of risk and performance information from each of the organisations and to then analyse, form an opinion and discuss with the ALEO the various aspects with a view to gain assurances about the system of risk management and their performance. The manner in which it will operate has been reported to each relevant committee this cycle.
- 5.4 In addition to the tier 1 ALEOs reported previously, there are a number of other bodies which are supported by the Council. Attached at appendix 1 is a table proposing the criteria for placing the remaining ALEOs, associated organisations and outside bodies having an impact on the Council’s group accounts on tiers 2, 3 and 4. The changes to Committee Orders of Reference to show the necessary reporting lines are set out in appendix 2. In all cases where organisations are funded by more than one committee, that organisation will be reported to the committee which is the major funder (the exception being Station House Media Unit, which shall report to the Education, Culture and Sport Committee).
- 5.5 The role of each Service Governance Hub for tier 2, 3 and 4 organisations will be essentially the same as for those in tier 1. Reports will be sought from each body in accordance with the relevant funding agreements or arrangements, those reports will be considered and scrutinised by officers and any report made to the appropriate service committee or the Audit and Risk Committee as appropriate. Again, Board Members or officers of the organisation in question may be invited to attend any meeting as appropriate.

6. IMPACT

- 6.1 The Governance issues addressed in this report arise from the Council's previous consideration of work undertaken in conjunction with or proposed by Audit Scotland which, taken as a whole, should lead to an improvement in the governance and decision making processes of the Council, particularly in relation to the support of outside organisations. Members would be better trained and better informed with a clearer understanding of the relationship between the role of members and the role of officers and such clarity should lead to a better understanding of the Council's work by the public and improve the transparency of the democratic processes in the City.

7. MANAGEMENT OF RISK

- 7.1 The recommendations in the report address risks previously identified in the report produced by consultants, "Roles and Responsibilities – Is Aberdeen City Council Getting It Right?" and further identifies a means of reducing risk relating to Arms' Length External Organisations and outside organisations supported by the Council as discussed by the Audit and Risk Committee.

8. BACKGROUND PAPERS

Roles and Working Relationships – Are You Getting It Right? Audit Scotland, August, 2010

Roles and Responsibilities – Is Aberdeen City Council Getting It Right? January, 2012

Shared Risk Assessment, Aberdeen City Council, Audit Scotland, 2010/11, 2011/12

Roles and Responsibilities – Is Aberdeen City Council Getting It Right? – Report to Audit and Risk Committee, 25th September, 2012

Roles and Responsibilities – Is Aberdeen City Council Getting It Right? – Report to Council, 6th March, 2013

Arms' Length External Organisations – Governance Arrangements – Internal Audit report to Audit and Risk Committee, 16th April, 2013

Roles and Responsibilities – Is Aberdeen City Council Getting It Right? – Committee Structures and Standing Orders and Governance Arrangements for Arm's Length External Organisations - Report to Council, 21st August, 2013

Arm's Length External Organisations – Governance Arrangements – Outstanding Issues and Progress - Report to Audit and Risk Committee, 24th September, 2013

Roles and Responsibilities: Is Aberdeen City Council Getting it Right? – Standing Orders, Orders of Reference, External Members on Committees and Scheme of Delegation – Report to Council, 31st October, 2013

Designing a Positive Framework of Governance with Arm's Length External Organisations – Report to Social Care, Wellbeing and Safety Committee, 16th January; Enterprise, Strategic Planning and Infrastructure Committee, 21st January; Education, Culture and Sport Committee, 30th January; and Audit and Risk Committee, 27th February, 2014

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Aberdeen City Council

Arm's Length External Organisation (ALEO) Governance

List of Organisations & Definition of Tiers

- Tier 1 – (a) An organisation that is significant in size and over which the Council exercises substantial control, i.e. those organisations that are defined as part of our Group that are sufficiently significant that their annual results are included in the financial statements of the Group Accounts; or
- (b) An organisation for which there may be no established Group relationship but for which a material value (greater than £7 million) of public funds are provided by the Council in delivery of the organisations services.

These are:

Aberdeen Exhibition & Conference Centre Ltd / Mountwest 343 Ltd (AECC) – (a) group relationship

Sport Aberdeen Ltd (SA) – (a) group relationship

Aberdeen Sports Village Ltd (ASV) – (a) group relationship

Grampian Valuation Joint Board (GVJB) – (a) group relationship

Bon Accord Care Ltd / Bon Accord Support Services Ltd (BAC) – (a) group relationship currently being assessed; (b) financial support > £7 million

- Tier 2 –(a) An organisation over which the Council exercises substantial control that is smaller in operational scale, i.e. those organisations that are defined as part of our Group that are not sufficiently material in size to be included in the financial statements of the Group Accounts; or
- (b) An organisation that is financially supported with public funds provided by the Council to a significant value (greater than £300,000).

These are:

Aberdeen Heat & Power Ltd (AHP) – (a) group relationship

North East Scotland Transport Partnership (NESTRANS) – (a) group relationship

Grampian Venture Capital Fund Ltd (GVCF) – (a) group relationship

Strategic Development Planning Authority (SDPA) – (a) group relationship

Scotland Excel – (a) group relationship

Aberdeen Performing Arts (APA) – (b) financial support > £300k

Garthdee Alpine Sports (GAS) – (b) financial support > £300k

Transition Extreme Sports Ltd (TES) – (b) financial support > £300k

Visit Scotland (VS) – (b) financial support > £300k

Tier 3 – (a) An organisation for which there is a following the public pound relationship, with public funds being provided for the delivery of services that are substantial (greater than £75,000).

These are:

Peacock Visual Arts

Aberdeen International Youth Festival

City Screen Aberdeen Ltd

Citizen Advice Bureau

Aberdeen Lads Club

Fersands & Fountain Project

Middlefield Community Project

St Machar Parents Support Project

Aberdeen City and Shire Economic Forum (ACSEF)

Aberdeen Renewables Group (AREG)

Grampian Housing Association

Pathways

Care & Repair

Station House Media Unit

Tier 4 – (a) An organisation for which there is a following the public pound relationship, with public funds being provided for the delivery of service that are below £75,000 and above £15,000.

Relevant organisations of which there are many – over 200 as listed in the Central Register for Following the Public Pound.

Appendix 2

Committee Orders of Reference

Audit and Risk Committee – existing remit (relevant extract)

12. The Committee will have the following responsibilities in terms of first tier arm's length external organisations (ALEOs) –
- to scrutinise ALEO compliance against contract and business plan
 - to scrutinise service and finance performance and evidence of the ALEO as a going concern
 - to scrutinise risk management arrangements
 - to ensure the management of key corporate risks
 - to ensure compliance with legislation, audit requirements and the Following the Public Pound code
 - to receive quarterly financial and performance reports on each ALEO
 - to receive annual presentations (with additional meetings as required) with ALEO board representatives on performance

Audit and Risk Committee – proposed revised remit

12. The Committee will ensure, through consideration of a quarterly report from the governance hub, that each tier 1 Arm's Length External Organisation has an effective system of risk management in place, covering strategy, structure, skills, system, staff and shared values. The Committee will use this to determine the level of assurance it can place on the effectiveness of that system and its ability to achieve the organisational objectives.
13. The Committee will consider reports from the governance hub on such other matters as may be presented in areas such as audit, roles and responsibilities of the board, legislation, following the public pound and breaches of governance.
14. The Committee will consider such reports on tier 2, 3 and 4 organisations as may be submitted from the governance hub.
15. The Committee can require representatives of organisations to attend its meetings.

Enterprise, Strategic Planning and Infrastructure Committee – existing remit (relevant extract)

7. In respect of Aberdeen Exhibition and Conference Centre Ltd and its subsidiary companies –
- to ensure that services commissioned by the Council are aligned to the Council's Single Outcome Agreement objectives
 - to provide corporate visibility of planning

- to ensure informed decision making by meeting representatives of AECC Board to receive presentations on forward plans and future linkages to service aspirations
- to ensure a consistent approach to strategic planning with service providers by client teams in each service
- to consider the outcomes of the AECC (including quality of provision, customer feedback and service improvements).

Enterprise, Strategic Planning and Infrastructure Committee – proposed revised remit

7. In respect of Aberdeen Exhibition and Conference Centre Ltd and its subsidiary companies, the Committee shall receive from the governance hub twice yearly progress reports on matters such as operational performance (including financial performance), people performance, risk management and service quality (including single outcome agreement achievements, customer feedback, and health and safety); and an annual presentation on the ALEO business plan, which will be used to approve funding for the subsequent year.
8. The Committee will consider such reports on the following tier 2 and 3 organisations, and any tier 4 organisation, as may be submitted from the governance hub:-
 - North East Scotland Transport Partnership (NESTRANS)
 - Strategic Development Planning Authority (SDPA)
 - Visit Scotland
 - Grampian Venture Capital Fund Ltd
 - Aberdeen City and Shire Economic Forum (ACSEF)
 - Aberdeen Renewables Group (AREG)
9. The Committee can require representatives of organisations to attend its meetings.

Education, Culture and Sport Committee – existing remit (relevant extract)

12. In respect of Sport Aberdeen Ltd and Aberdeen Sports Village Ltd –
 - to ensure that services commissioned by the Council are aligned to the Council's Single Outcome Agreement objectives
 - to provide corporate visibility of planning
 - to ensure informed decision making by meeting representatives of the boards of both arm's length external organisations to receive presentations on forward plans and future linkages to service aspirations
 - to ensure a consistent approach to strategic planning with service providers by client teams in each service
 - to consider the outcomes of the Sport Aberdeen Ltd and Aberdeen Sports Village Ltd (including quality of provision, customer feedback and service improvements).

Education, Culture and Sport Committee – proposed revised remit

12. In respect of Sport Aberdeen Ltd and Aberdeen Sports Village Ltd, the Committee shall receive from the governance hub twice yearly progress reports on matters such as operational performance (including financial performance), people performance, risk management and service quality (including single outcome agreement achievements, customer feedback, and health and safety); and an annual presentation on the ALEO business plan, which will be used to approve funding for the subsequent year.
13. The Committee will consider such reports on the following tier 2 and 3 organisations, and any tier 4 organisation, as may be submitted from the governance hub:-
 - Aberdeen performing Arts (APA)
 - Garthdee Alpine Sports
 - Transition Extreme Sports Ltd
 - Peacock Visual Arts
 - Aberdeen International Youth Festival
 - City Screen Aberdeen Ltd
 - Aberdeen Lads Club
 - Fersands and Fountain Project
 - Middlefield Community Project
 - St Machar Parents Support Project
 - Station House Media Unit
14. The Committee can require representatives of organisations to attend its meetings.

Social Care, Wellbeing and Safety Committee – existing remit (relevant extract)

7. In respect of Bon Accord Care Ltd and Bon Accord Support Services Ltd–
 - to ensure that services commissioned by the Council are aligned to the Council's Single Outcome Agreement objectives
 - to provide corporate visibility of planning
 - to ensure informed decision making by meeting representatives of the Board to receive presentations on forward plans and future linkages to service aspirations to ensure a consistent approach to strategic planning with service providers by client teams in each service.
 - to consider the outcomes of the Bon Accord Care Ltd and Bon Accord Support Services Ltd (including quality of provision, customer feedback and service improvements).

Social Care, Wellbeing and Safety Committee – proposed revised remit

7. In respect of Bon Accord Care Ltd and Bon Accord Support Services Ltd, the Committee shall receive from the governance hub twice yearly progress reports on matters such as operational performance (including financial performance),

people performance, risk management and service quality (including single outcome agreement achievements, customer feedback, and health and safety); and an annual presentation on the ALEO business plan, which will be used to approve funding for the subsequent year.

8. The Committee can require representatives of organisations to attend its meetings.

Housing and Environment Committee – proposed additional remit

7. The Committee will consider such reports on the following tier 2 and 3 organisations, and any tier 4 organisation, as may be submitted from the governance hub:-
 - Aberdeen heat and Power Ltd (AHP)
 - Grampian Housing Association
 - Care and Repair
8. The Committee can require representatives of organisations to attend its meetings.

Finance, Policy and Resources Committee – proposed additional remit

27. The Committee will consider such reports on the following tier 1, 2 and 3 organisations, and any tier 4 organisation, as may be submitted from the governance hub:-
 - Grampian Valuation Joint Board (tier 1)
 - Scotland Excel
 - Aberdeen Citizens' Advice Bureau
 - Pathways
28. The Committee can require representatives of organisations to attend its meetings.